



## Why States Should Adopt the...

### Uniform Limited Partnership Act (2001)

The Uniform Limited Partnership Act (ULPA), completely revised by the NCCUSL in 2001, updates limited partnership law to reflect modern business practices by providing greater flexibility and protection. The ULPA originally dates back to 1916, and since that time has set the standard for limited partnership law in this country. It was extensively revised in 1976 and amended in 1985.

When ULPA was last revised, limited partnerships were used extensively within the business community. Today, limited liability partnerships (LLPs) and limited liability companies (LLCs) can meet many of the needs formerly met only by limited partnerships. Limited partnerships are now used primarily in two ways: for family limited partnerships in estate planning arrangements, and for highly-sophisticated, manager-controlled limited partnerships.

A limited partnership is distinguished from a general partnership by the existence of limited partners who invest in the partnership; in return for limited liability, the limited partner usually relinquishes any right of control or management of partnership affairs. However, the general partner of a limited partnership traditionally receives no direct liability protection.

The new act provides:

- **Perpetual Entity.** No termination unless the agreement so provides. Limited partner exit does not dissolve the entity.
- **Entity Status.** A limited partner is clearly an entity.
- **Convenience.** The new ULPA provides a single, self-contained source of statutory authority for issues pertaining to limited partnerships. The act is no longer dependent upon general partnership law for rules that are not contained within ULPA.
- **LLLP Status.** Under the new ULPA, limited partnerships may opt to become limited liability limited partnerships (LLLP), simply by so stating in the limited partnership agreement, and in the publicly filed certificate. The primary reason for a limited partnership to elect LLLP-status is to provide direct protection from liability for debts and obligations of the partnership to the general partner of the limited partnership.
- **Liability Shield.** The 1976 ULPA provided only a restricted liability shield for limited partners. The new ULPA provides a full, status-based shield against limited partner liability for entity obligations. The shield applies whether or not the limited partnership is an LLLP.
- **Express Default Statute.** The act governs relations among the partners and between the partners and the partnership only when the partnership agreement does not do so.

The new Act also addresses other issues, such as allocating power between general partners and limited partners; and setting fiduciary duties owed by general partners to other general and limited partners.

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